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The Prospects For Mexico

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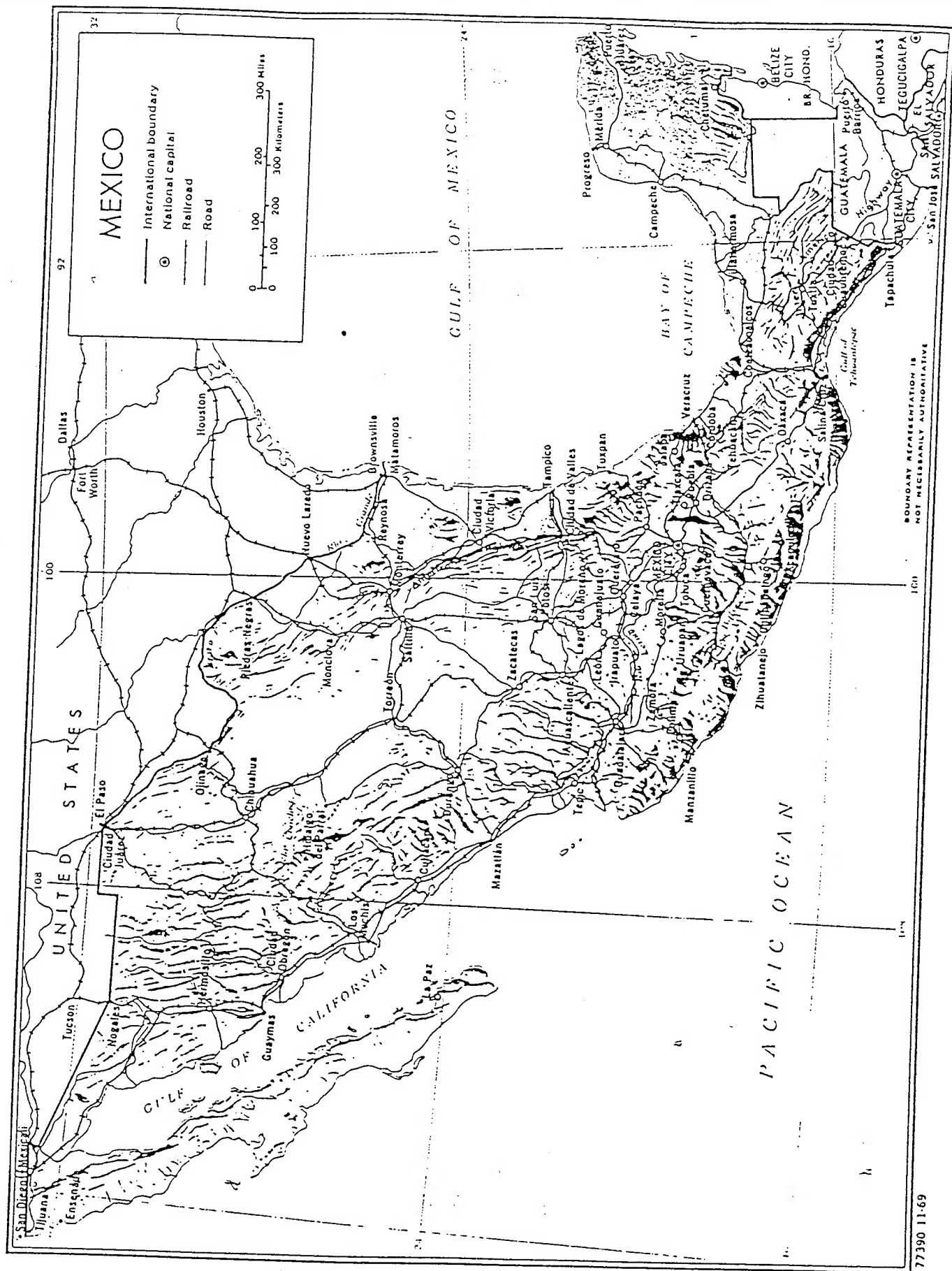
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THE PROSPECTS FOR MEXICO

CONCLUSIONS

Over the last three decades or so, Mexico has achieved a level of political stability and a pace of general economic progress unmatched in Latin America. This achievement has been facilitated by the availability of US private capital, technology, and markets. But it is largely due to the development of a one-party system that has been strong enough to carry out an essentially pragmatic and constructive program, while satisfying a broad spectrum of political and economic interests.

In recent years the system, whose leaders claim it represents the "continuing Mexican Revolution," has shown signs of losing its ability to adapt to the changing needs of the society. We judge, however, that it will not have great difficulty in dealing with growing problems and pressures over the next few years.

We are more concerned with the system's continued responsiveness to the increasingly complex problems which it will face over the longer run. Thus we consider that the attitudes and actions of the next administration (which will take office in December 1970), towards such critical issues as widespread poverty among the rural and urban masses, a veritable population explosion and the growing disillusionment of the younger generation, will be crucial for continued political stability and economic progress in the mid- and late 1970's. We believe there is a danger that the system will become less responsive and tend to rely more heavily on its repressive powers—a situation likely to promote instability.

In the event that the Mexican Government becomes hard pressed on domestic issues, there might be an increase in anti-US criticism and troublesome incidents in US-Mexican relations. However, unless the Mexican leaders become convinced that the US is abandoning or downplaying its special relationship with Mexico, we would expect no sharp deterioration in US-Mexican relations.

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DISCUSSION

I. THE "CONTINUING REVOLUTION"

1. During the first two decades of the so-called "continuing Revolution" that began in 1910, there was considerable bloodshed and revolutionary change in Mexico's institutions. Since then, however, more pragmatic and constructive courses of action have provided political stability and substantial, sustained economic progress unmatched in Latin America. We propose, in the following paragraphs, to examine the Mexican system, and the shorter and longer run problems confronting it, and to evaluate the system's ability to cope with these problems.

A. The One-Party System

2. Over the last 40 years, the Mexicans have developed and maintained an essentially one-party system which has pre-empted most of the left and center, and much of the right, in national, state, and local politics. To carry on the 1910 Revolution and to reduce the influence of the country's military leaders who had traditionally dominated national politics, Mexican presidents have developed an official national party based on major sectors of Mexican society such as the peasant, labor and professional organizations. This party, now known as the Institutional Revolutionary Party (PRI), has functioned so effectively and civilian authority has been so firmly established that there has been no serious military revolt for over a third of a century and every president since 1946 has been a civilian.

3. The PRI has dominated the political scene so completely that it has never been defeated in a presidential contest, and seldom in an important local election. When they have considered it necessary, the PRI leaders have taken whatever measures were required to overwhelm the opposition in state and local elections which might have been more closely contested. (The PRI's use of intimidation and manipulation of ballots in the recent gubernatorial election in Yucatán is a case in point.)

4. Among the opposition parties only the small, moderately conservative National Action Party (PAN) has consistently opposed the PRI in presidential elections, has been able to defeat a PRI candidate for the Chamber of Deputies, and offers the PRI a real contest in some state and local elections. While the PAN has caused the PRI some embarrassment in such elections, it has been able to attract less than 15 percent of the votes cast in national elections. Its programs reflect its position as the "out" party but does not call for radical changes in existing government policies. The other two legally inscribed political

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parties exist on official sufferance and are subsidized in order to maintain a nominal opposition.¹

5. Attempts to start more vigorous opposition movements have not prospered because most politically aware Mexicans realize that there is little future for anyone outside of the PRI. Although some criticism is permitted, the press, radio, and television are kept compliant, if not subservient, by government controls over supplies and licenses and over advertising by state entities. Finally, since the executive branch dominates the judiciary, it is able to make extensive use of police powers, including a penal code under which individuals are subject to long prison terms for a variety of vaguely defined offenses against society. These powers have been particularly useful in dealing with members of the various small splinter groups of leftist extremists who are able to exploit incidents—such as student rioting—but have only a limited capability to initiate them.

6. In large part the PRI has been successful because of its ability to convince major groups, including important new ones such as commercial farmers and industrialists, that it is serving their interests. It also has been able to resolve most of its internal conflicts within the party. Although its spokesmen maintain that the party is the main vehicle of the "continuing Mexican Revolution," and that its ideology is of the revolutionary left, the PRI's course has been increasingly marked by pragmatism rather than revolutionary fervor. In recent decades the pressure groups that have been most influential in determining Mexico's policies have been the professional, industrial, trade and commercial agricultural interests which make up the PRI's "popular" sector, rather than its numerically much larger labor and peasant sectors. In part, at least, this explains why the "continuing Revolution"—which destroyed the political and economic power of the pre-1910 landed oligarchy—has provided more benefits for a new urban-based wealthy class and a greatly expanded middle class than for the impoverished rural and urban masses who constitute about a third of the total population.

7. Since 1958 the presidents of Mexico, and most of their lieutenants in the party and in their administrations, have come from the generation that reached maturity after the 1910-1930 period of revolutionary and counter-revolutionary violence. They have been largely drawn from the civil professions, particularly the law; in the main, they are representative of the middle and upper-middle classes. They tend to lack the color and charisma of the Revolutionary generation but also tend to be more highly skilled in the art of governing than were many of their predecessors. In a sense the party leaders constitute a professional

¹ The relatively small, Marxist, Popular Socialist Party (PPS) and the even smaller Authentic Party of the Mexican Revolution (PARM) supported the PRI presidential candidate in 1964 and will do so again in 1970. The PPS and the PARM probably do not have anywhere near the 70,000 members required to be legally inscribed. There is also a very small Mexican Communist Party (PCM), with some 3,300 members and very little influence in Mexican politics.

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political elite, which rules for a broad range of interests rather than for the benefit of a small group as in many other Latin American countries.

B. The President

8. In the Mexican system the president plays the paramount role during his six-year term, by setting the direction for national policy and by manipulating the PRI and the government to carry out his programs. But the tradition of no re-election is firmly established and for several decades there has been no problem in carrying out a peaceful transmission of power. The president has a major role in the selection of his successor. Since 1934, however, no president has been able to extend his administration by controlling the actions of his successor. Indeed, the change of administrations provides the occasion for a review of national priorities and for a substantial turnover in the top-level leadership of both the PRI and the national government.

9. Barring death or serious illness, Luis Echeverría Alvarez, the candidate of the PRI, will be the next President of Mexico for a six-year term beginning in December 1970. A vigorous and highly intelligent 47 year-old bureaucrat, Echeverría has never held elective office. He has served much of his public career under President Gustavo Díaz Ordaz, first as the latter's assistant when he was Secretary of Government (1958-1963), and then as Secretary of Government when Díaz Ordaz resigned to run as PRI candidate for the presidency in 1964. Thus, for over a decade, Echeverría has been part of a team which believes that the Mexican system requires firm control from the top and which has little tolerance for dissent.

10. As a result of Echeverría's extensive experience with Mexico's security system and problems, he is fully aware of the nature and extent of criticism of the PRI and the current administration. The 1969-1970 campaign, during which he will undertake the traditional extensive visits throughout the country, provides him an opportunity to establish personal ties with state and local officials and to become better acquainted with their problems. It also serves to let large numbers of Mexicans, including those in remote areas, know who will be in charge of the nation for the next six years; and, however limited it may be, to have some direct or indirect contact with him. Once inaugurated as President (December 1970), Echeverría will set about putting his own stamp both on the government and on the PRI, the core of Mexico's one-party system.

C. Economic Progress

11. Mexico's economic progress since the mid-1930's has been exceptional. A key ingredient has been the government's ability to combine increased emphasis on the public sector with encouragement for private investment, and to attract US private investment while encouraging domestic capital formation and investment. Enlightened economic policies, access to US financial and technological resources and markets, and, particularly in the last decade, earnings from a rapidly increasing tourist trade, have also made important contributions.

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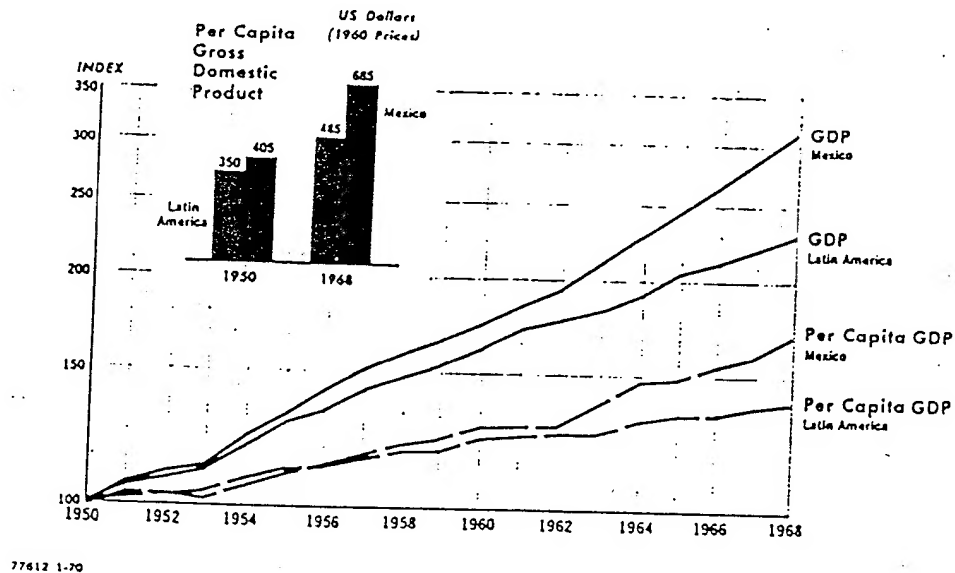
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Although foreign investment is not permitted in certain fields, such as petroleum, communications and land ownership in border areas, and must operate under definite limitations in others, it has been attracted to Mexico by the assurance of a stable political and financial situation and of continuity in official policy. Foreign investors have prospered, while at the same time they have made substantial contributions to the modernization and expansion of the industrial and mining sectors of the economy. Mexico, however, is now at the stage where economic expansion is being largely financed from domestic sources.

12. Since 1950 the Mexican economy has expanded at an average rate of some 6.5 percent annually as compared to about 5 percent for Latin America as a whole. Moreover, the Mexican rate rose from 6 percent in the 1950's to 7 percent in the 1960's, while the Latin American rate declined slightly. (See Figure 1, "Economic Growth in Mexico and Latin America, 1950-1968.")

13. Manufacturing is now the largest sector of the economy and the one growing most rapidly. It accounts for about a third of gross national product. Although expansion has focussed largely on import substitution, Mexico also has substantially increased the share of manufactures in exports, from 7 percent in 1950 to about 29 percent in 1969. Manufacturing is now fairly well

Figure 1. Economic Growth in Mexico and Latin America, 1950-68



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diversified and includes industries producing steel, various chemicals, motor vehicles, durable consumer goods, and some types of capital equipment. The prices of manufactures are generally low by Latin American standards although many are high by world standards. While imports, particularly of capital goods needed in the industrialization program, have been increasing at a more rapid rate than have exports, Mexico has been able to attract enough foreign capital to cover its current account deficit.

14. The mining industries have increased their output by some 40 percent since 1950, furnishing increased supplies of iron and copper for the manufacturing sector, and substantially raising their exports of zinc, lead, mercury, silver and sulphur. The petroleum industry, which was nationalized in 1938,² has increased output by 240 percent since 1950, meeting rapidly growing domestic needs and maintaining a small net surplus for export. Moreover, it has earned profits for the state despite price controls imposed to benefit domestic consumers.

15. The agricultural sector of the economy, and particularly that portion producing for export, has also made substantial progress. Since 1950 agricultural output has been growing at an average of 4.5 percent annually, thereby keeping ahead of the rapid annual increase in population. Government investments in infrastructure, particularly irrigation projects and transportation facilities, and its subsidies for corn, wheat and other crops, have been instrumental in enabling Mexico, which was a net importer of farm products during World War II, to become a net exporter.

D. The Population Problem and the Persistence of Poverty

16. While Mexico has made remarkable progress in many fields, relatively few of the benefits have trickled down to the hard core of unskilled urban and rural masses, who constitute about a third of the total population. A major factor in the persistence of poverty has been the rapid spurt in population from some 26 million in 1950 to an estimated 50 million by 1970.³ The annual rate of increase in population has now reached 3.5 percent, one of the highest in the world. It is likely to go even higher—perhaps close to 4 percent—before the present very limited family planning programs have any noticeable effect.

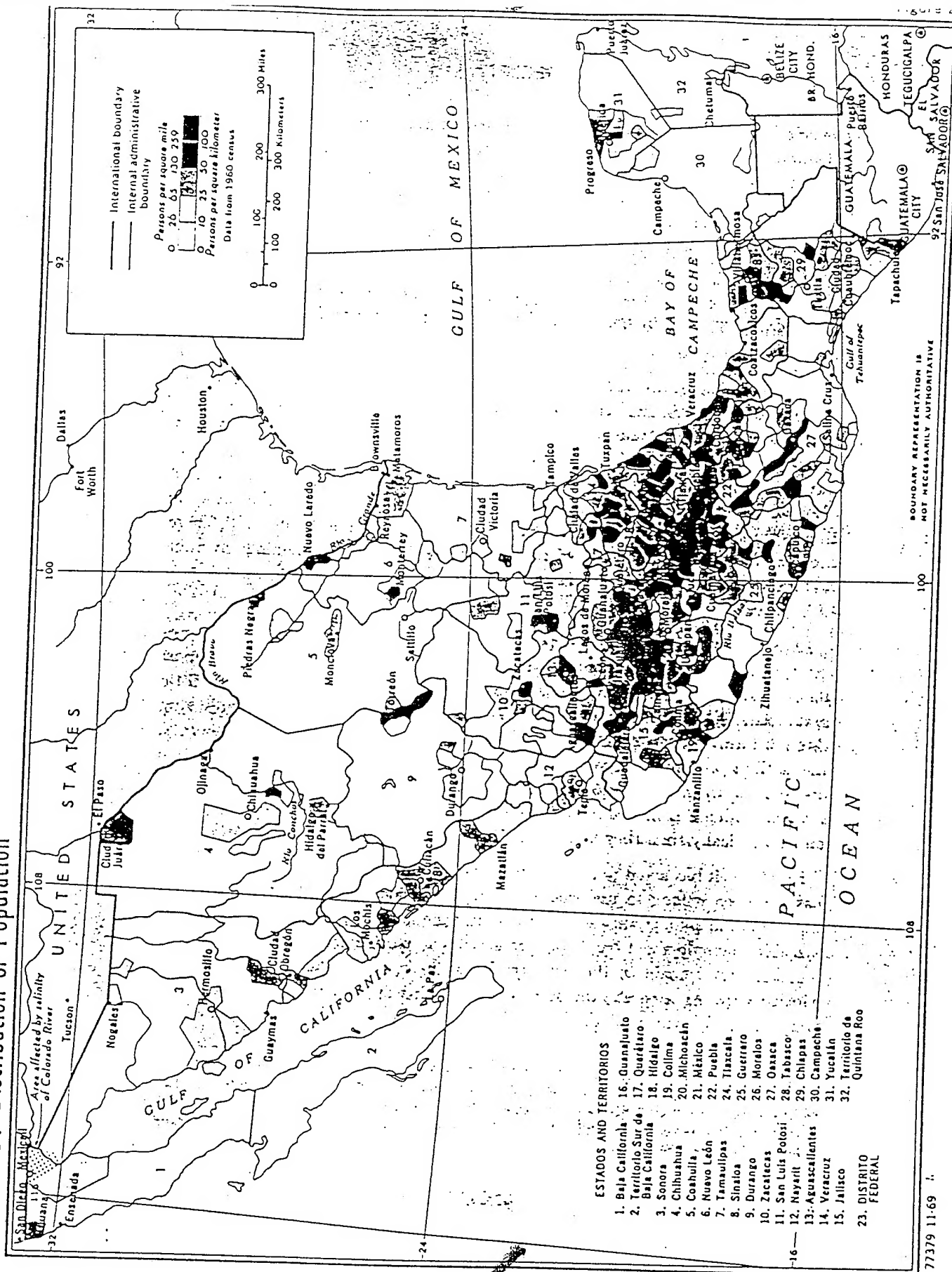
17. The impact of this upsurge in population is causing serious problems in rural and urban areas. While Mexico has sizeable amounts of arable land (some

² Although US business and official relationships were badly strained at the time of nationalization, reasonable compensation was paid by the Mexican Government and the latter's policy of Mexicanization in this and other key areas of the economy soon came to be accepted by foreign investors.

³ This increase is the result of a continued high birth rate combined with a reduction in the mortality rate from 17.9 per thousand in 1949, to 9.2 in 1967, and a decline in the rate of infant mortality from 106.4 per thousand to 60.7 during the same period. The heavy concentration of population within a radius of 200 miles of Mexico City is illustrated by Figure 2 "Mexico: Distribution of Population."

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MEXICO: Distribution of Population



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13 percent of its total land area), much of it has basically poor soil that requires irrigation and fertilizers to support more than a bare subsistence type of agriculture. The absolute number of landless peasants has grown, because of the limited amount of land available for distribution and the increase in the rural population. Mechanization of the commercial farms has also swelled the numbers of unemployed peasants, many of whom have migrated to the cities. As a result Mexico City now has an estimated seven million inhabitants in its metropolitan area, and two other cities (Monterrey and Guadalajara) have passed the million mark. These and other urban areas have large numbers of unemployed and underemployed existing in submarginal conditions.

18. Widespread rural discontent was one of the principal motivating forces of the 1910 Revolution and agrarian reform has been pursued with varying degrees of intensity by most Mexican governments since then. The massive distribution of land has been a political success because it aligned recipients with the government but it has failed to secure lasting economic benefits for the great mass of Mexican peasants. Most of the 2.3 million or so farmers on the *ejidos* have no title to the lands they work and are at the mercy of the *ejido* authorities.⁴ There are also about a million heads of families whose private land holdings average about three acres and most of them eke out a bare subsistence with scant prospect of improving their status.

19. Some two million landless peasants are even worse off. The *bracero* program, which had enabled thousands of them to earn enough in the US to support their families, was phased out by the US between 1964-1966. Since there is little arable land left to distribute, their chances of making even a meagre living through farming are minimal. Unlike the *ejidatarios* and the small landowners, the landless peasants have very little to lose through disruption of the status quo and some of them have become involved in attempts to seize land and in attacks on local authorities. In the main, Mexico's landless peasants are now little better off economically than they were in 1910.

20. While it has acted to ameliorate certain agrarian problems, the government has not been willing to undertake a sizeable reallocation of its resources from the support of industrialization to improving the lot of the rural and urban poor. Sizeable unemployment has kept incomes down, particularly for the less skilled, whether they remain in the countryside or flock to the slums in and around Mexico City. As a result, the lower-paid salaried and wage earning personnel were relatively worse off economically in recent years than their counterparts

⁴ The *ejido* was a traditional form of land tenure to which the Mexican Government returned in breaking up many of the large haciendas. An *ejidatario* has the use of a specified amount of land but does not own it and cannot rent, sell or mortgage it. Allocation of the small plots of land is determined by the *ejido* authorities, who are generally controlled by the local and regional leaders of the PRI.

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had been in 1950.⁵ Although price controls on basic foods help those regularly employed, large numbers of unemployed and part-time workers live on a hand-to-mouth basis. Successive administrations have, however, been able to avoid any serious political repercussions from this situation by keeping a close control over the leadership of the National Confederation of Campesinos (CNC) and the Confederation of Mexican Workers (CTM).

E. US-Mexican Relations

21. The main guidelines for Mexico's foreign policy, which stress the principles of non-intervention, juridical equality of nations large and small, and the peaceful settlement of disputes, reflect the country's proximity to and preoccupation with its relations with the US. Widely held and deep-rooted feelings of mistrust and fear of the Colossus of the North, though diminished, still loom large in the Mexican view of the world. Those feelings had their origins in the loss of about half of its territory (the area comprising Nevada, Utah, Texas, California, New Mexico, and Arizona) to the US well over a century ago. They were revived by various incidents that occurred during the first few decades of the Revolution, especially by the two US military interventions on Mexican soil (1914 and 1916-1917).

22. Over the last quarter century or so, there has been a marked improvement in US-Mexican relations. In the early 1940's the settlement of the claims arising from the nationalization of foreign oil companies removed a major source of discord. Mexico cooperated closely with the US in hemispheric defense operations during World War II and a Mexican Air Force squadron served with US forces in the Philippines. Over the last decade mutual efforts to improve relations have brought the solution of the Chamizal border dispute, which began in the last century, and have facilitated close cooperation on irrigation and hydro-electric power projects.

23. A major factor in the improvement in US-Mexican relations has been the decision by the Mexican political leaders that a stable, cooperative relationship with the US is in their country's best interests. The general acceptance by the US of Mexico as an equal, in dealing with problems and matters of common interest, has been instrumental in creating an atmosphere of mutual trust and cooperation, which has been established and significantly expanded during the present administration of Gustavo Díaz Ordaz (1964-1970). At the same time, however, every administration since the revolution has stressed its "independent" foreign policy; the refusal to join the other Latin American nations in breaking off relations with Cuba is, in part, an example of Mexico's insistence that its policies be determined only by Mexicans.

⁵In 1950 the lowest 30 percent of individual wage earners received 13 percent of total wages and salaries while the highest 10 percent received 31 percent of such payments. By 1964-1965 (the last period for which such information is available), the lowest 30 percent received only 6 percent of wages while the upper 10 percent received 38 percent. If other sources of income were included, the picture would be even grimmer.

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24. Close cooperation between US and Mexican officials on a wide range of problems in recent years have led the latter to expect to be consulted in advance before the US takes action affecting Mexico. Since the Mexican officials do not feel that they were adequately alerted before the US undertook "Operation Intercept" in October 1969, the measures taken to stop the smuggling of narcotics into the US have caused considerable resentment in official as well as private circles. The Mexican reaction underlines the sensitivity of their political leaders to the way in which US-Mexican relations are conducted and their continual need for reassurance that the special US-Mexican relationship is being maintained. Once that reassurance was given, Mexican officials stepped up search and destroy missions against the production and distribution of narcotics on Mexican territory that have contributed to progress on "Operation Cooperation" (ex-Operation Intercept).

II. INTERNAL PROBLEMS FACING MEXICO IN THE 1970's

25. Mexico's short-run economic prospects are bolstered by its relatively favorable fiscal situation: it is one of the few Latin American countries not confronted by urgent problems in this field. The Díaz Ordaz administration has maintained the government's high-credit rating abroad, has attracted enough foreign capital to cover current account deficits in its balance of payments and to increase reserves, and has kept domestic prices fairly stable.⁶ We judge that the economy will continue to expand during the next two or three years and that no serious economic disruption appears likely in the early 1970's.

26. Over the longer run, however, Mexican governments will be confronted by basic socio-economic problems which, if not resolved or substantially ameliorated, could cause serious disruption in the society. Unrest generated by inequalities in the distribution of the national income, corruption, and disaffection with the system generally has been increasing in recent years. The poverty of rural Mexicans⁷ will be particularly difficult to cope with as long as official policy concentrates scarce resources on industrialization and commercial agriculture. The upsurge in population, which exacerbates other problems, is a particularly delicate one, given the Mexican pride in large families and tendency to identify the begetting of offspring with manliness. In addition, the growing number of the population that is below the age of 14, now 46 percent and increasing annually, and the multiple problems created by the rapidly rising urban population, necessitates diversion of a steadily larger share of the national budget to schools, housing, transportation, waste disposal, water supply, and public health.

⁶ Wholesale prices have risen an average of only 2 percent annually since 1960. The consumer price index—which includes certain goods under price control—showed a rise of 3 percent for the first 9 months of 1969 over the corresponding period in 1968. External borrowing, however, has raised the total of Mexico's medium- and long-term debt, which was US\$850 million in 1960, to US\$2.5 billion in 1966, and to an estimated US\$3.3 billion at present.

⁷ Average annual per capita income is only \$150 in the countryside as compared to \$700 in urban areas.

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27. President Díaz Ordaz has been aware of these problems and has attempted to cope with them. His efforts have been concentrated on expanding the industrial sector—to provide employment opportunities for the urban poor and for landless peasants and to increase Mexican exports—and on aiding commercial agriculture. The industrial sector has performed well but it operates under handicaps, such as the limited domestic market, the competition from well-established industrial powers, and the measures those powers have taken to protect their domestic industries. These constraints will continue and (in some respects) become more important in the 1970's, probably making both import substitution and expanded exports of manufactures more difficult. The recent partial untying of US aid to Latin America should benefit Mexican industry, however, and tariff preferences for the manufactured goods of the lesser developed nations would help still more. On balance, it is doubtful whether the growth rates for manufactures of the past two decades can be maintained. Even if they are, the urban economy is likely to have difficulties in absorbing the increasing numbers of unemployed.

28. In recent years, the government and the PRI have also faced increasing difficulty in co-opting student movements. Some student groups, and particularly the organized university students, have been alienated by the shortcomings of the educational system, which lacks classroom and laboratory facilities and full-time teachers, as well as by the repressive features of the political system. In mid-1968 repeated student clashes with police and student rioting culminated in bloody encounters between students and army troops on the eve of the opening of the Olympic Games in Mexico City. The students were not able to secure the support of labor or *campesino* groups and, since being severely mauled by the army, they have undertaken only limited demonstrations against the regime.

29. However successful the PRI has been in controlling such protests and demonstrations, it has done little in a positive way to close the generation gap between its leaders and Mexicans between 15 and 30 years of age—some one-third of the total population. Among those younger Mexicans critical of the PRI, there is a growing conviction that the leaders of the system are satisfied with maintaining little more than a façade of representative political democracy. The critics generally acknowledge the past achievements of the system, but insist that the party's leaders do not understand and are not concerned with the problems and aspirations of the younger generation.

30. The students are not likely to pose any serious immediate threat to either President Gustavo Díaz Ordaz or his chosen successor, Luis Echeverría. The student activists who led the antigovernment disturbances in 1968 and other critics of the present regime may try to disrupt Echeverría's campaign tour. Although there is the possibility that Echeverría may be seriously embarrassed and perhaps even injured by extremist demonstrations, his entourage has had extensive experience in handling demonstrators and in protecting the President

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and numerous foreign visitors. At the same time, the political opposition knows the limits within which it may operate and the consequences for exceeding them.

31. Furthermore, the present administration recently has secured a constitutional amendment lowering the minimum age for voters to 18 years and it may become effective before the July 1970 election. This should serve to ameliorate, temporarily at least, the discontent of Mexican youth by giving an estimated 2.7 million young people a chance to participate in the political process legally and peacefully. The voting preferences of these new voters would also provide an indication of the extent of alienation of youth from the PRI. If the official party does not do a more effective job of appealing to and satisfying the interests of younger voters than it has in recent years, the main beneficiary almost certainly will be the PAN. This would strengthen the PAN's chances in local elections, particularly in urban areas where it now receives considerable middle class support. Eventually, continued disaffection for the PRI among such voters would enable the PAN to raise its opposition to the PRI to the point where the rigging of the results would become more and more difficult and obvious.

32. In recent years there also have been indications that labor is becoming restless, particularly over its share of the national income and subordinate role in the PRI. An extensive revision of the labor code (which dates from the early 1930's) is now underway, however, and should assuage labor discontent, at least for the short run, and help to ensure a smooth transition of power from Díaz Ordaz to Echeverría. There are proposals for requiring employers to provide housing facilities, which, if adopted and implemented, could improve the living conditions of many workers. Minimum wages have been raised recently but we doubt that this will result in a substantial improvement in the standard of living of the Mexican masses.

33. Similar discontent within the peasant sector of the PRI is not an immediate danger but meeting its needs poses more difficult problems, even in the early 1970's. There is relatively little arable land left to distribute, without appropriating the commercial farms which provide much of the production for domestic consumption and export.

34. Internal security is the principal function of the Mexican Armed Forces and they have proven capable of handling unrest decisively and expeditiously in the past.* The army is often called upon to restore order throughout Mexico, except in Mexico City where the formidable police forces usually are able to maintain order. The student riots of 1968, however, were of such magnitude that the army was called in to bring them under control. The security forces need more modern communications and transportation equipment but are prob-

* Total personnel of the Mexican Armed Forces is some 79,000 men distributed as follows: Army, 64,000; Navy, 10,400; and Air Force, 4,600. There is also a 70,000 man rural defense corps which is under the command of various military zones but has limited training and equipment for dealing with serious disturbances.

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ably capable of coping with much greater opposition than they have been confronted with up to now. They would, however, be heavily taxed by widespread violence in the countryside. We judge that their capabilities will remain substantially unchanged over the next few years.

35. Over the longer run, we judge that the next administration, and its successor, will have increasing difficulty in maintaining the present highly centralized and controlled political system. The very success of that system, in creating a relatively open society, has produced a much more sophisticated electorate. This present generation no longer accepts the old revolutionary rhetoric as unquestioningly as did previous generations, and it has indicated the need for changes in the PRI leadership and style. President Díaz Ordaz, in his first year in office, permitted one of the more liberal PRI leaders, Carlos Madrazo, to experiment with "opening up" the system to give local party members an effective role in the selection of party candidates and leaders. When powerful state leaders saw their dominance threatened, they opposed the reforms Madrazo had tried to introduce, as president of the PRI, and he was soon sacrificed. Although Echeverría has shown few signs of being innovative, he is an intelligent and pragmatic individual. If he does try to modernize the system, his chances for success will depend to a considerable degree upon his selection of a party president less heavy-handed and more subtle than the ebullient Madrazo was (Madrazo died in mid-1969), and upon giving his agent the kind of firm backing that Madrazo did not get from Díaz Ordaz.

36. On the basis of his previous record we judge that Echeverría is not likely to make any radical changes from the policies of the Díaz Ordaz administration. We think that he probably will be somewhat more concerned with the problems of students and youth generally, than the incumbent regime, but equally as ready to apply force to keep dissent within "tolerable" limits. Echeverría has already declared that the poverty of rural Mexicans is the nation's primary problem and he will undoubtedly do what he can to alleviate it. We doubt, however, that he can or will undertake the massive reallocation of resources needed to cope with it, because he would consider that this would be economically infeasible and create serious political difficulties for the PRI. Such a sharp policy shift would, indeed, slow spending on both productive enterprises and social facilities in the cities, and generate resentment among urban workers and businessmen. Furthermore, it is not at all clear that resources transferred from the modern, urban sector to the rural sector would substantially increase employment opportunities and incomes for the potential migrants to the cities.

37. If Echeverría decides to maintain the system largely unchanged, his regime will probably have to rely increasingly on force and intimidation to maintain public order in the urban areas, where the students are concentrated, as well as in the rural areas. Such a course would also mean an increasing reliance upon the armed forces, whose younger leaders are not as closely aligned with the PRI and as dependent upon it for promotion as were the present older generation of military commanders. In the event of prolonged or recurrent public

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unrest we think the Mexican military leaders would attempt to use the regime's increased dependence on them as a lever for obtaining a larger role in national politics. We do not expect unrest on this scale to occur in Mexico over the short run, and if it does Echeverría will have time to make adjustments in the system. The chances of widespread public unrest over the longer run depend heavily upon the PRI's ability and willingness to cope with the needs of the changing Mexican society, while making a minimal use of its repressive powers.

38. An additional complicating factor, over the longer run, may occur as a result of strains in Church-State relations. Over the last four decades or so an effective modus vivendi has been worked out by the Church and government leaders to replace the bitter conflicts that marked the first 20 years of the Revolution. Under Díaz Ordaz, a practicing Roman Catholic, Church-State relations have measurably improved despite the increased involvement of some of the Catholic clergy and laity on behalf of Mexico's distressed masses. The more conservative members of the religious hierarchy have tried to restrain this progressive or "Committed" sector of the Mexican Church because they do not want to risk endangering the regime's toleration of their activities in education and other fields, which are forbidden under the 1917 Constitution.

39. Under Echeverría, however, who is not a practicing Roman Catholic and also has a reputation of being anticlerical, the "Committed Church" movement is likely to create strains that will not be so readily resolved. Over the last year, even the Díaz Ordaz administration has been showing signs of uneasiness over the "Committed Church's" activities in the social welfare field. This is a particularly sensitive area because the official party claims that it is the custodian of the welfare of the masses. Thus the PRI is likely to oppose any activity by the Church that might benefit its principal rival, the PAN, which is generally viewed as being aligned with the Catholic Church.

40. Mexico has been extremely fortunate that its political system has not been subjected to the test of the death or serious incapacitation of the president in mid-term. There is no vice-president, or other constitutionally designated successor, and Mexican presidents traditionally have been chary of establishing an heir-apparent until the last year of their term in office.⁹ For several decades the problems that traditionally had accompanied the transfer of power has been minimized by the careful screening of candidates and by lengthy preparations for the actual transfer of power. If Echeverría should die or become seriously incapacitated, the system might come under severe strain during the selection of a successor. At the very least, the conflicting interests of the party sectors, and of the groups represented in the popular sector, would be difficult to accommodate without the customary strong guiding hand of the Mexican president.

⁹ If the death, absence or disability of the president occurs in the last four years of his term, Congress chooses a replacement to complete that term. If a replacement is needed in the first two years, Congress selects a provisional president and new presidential elections are held.

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41. In summary, we do not anticipate serious difficulties for the next administration over the short run. It is difficult to estimate either whether the problems facing the Mexican Government will develop to serious proportions or how they will be handled if they do. By the mid-1970's, however, the system probably will be sorely tested by the gravity and complexity of the problems confronting it. Even under optimum conditions and with the most judicious of policies, progress on Mexico's basic economic and social problems will be limited. Much will depend on whether the system retains the ability that has distinguished it over the last several decades to adjust to changing situations and to continue to convince the major sectors of Mexican society that it is representing their interests. The attitude and performance of the next administration is crucial for continued economic growth and political stability under the Mexican system. In the light of developments over the last year or so we see signs that the system is losing its ability to adapt to the changing needs of the society and there is a danger that it will become more repressive over the longer run.

III. THE OUTLOOK FOR US-MEXICAN RELATIONS

42. The future pattern of US-Mexican relations will depend heavily upon the style with which US policies regarding Mexico are carried out, as well as the content of those policies. There is a basic residue of anti-US feeling in Mexico, which is kept alive by extremists on the right and left, but Mexicans in general seemed to have moved beyond the radical nationalism of the early stages of the Revolution. Díaz Ordaz and his predecessor, Adolfo López Mateos (1958-1964), in particular, have placed a high priority on maintaining close and friendly relations with the US. We believe that, initially at least, Echeverría will follow a similar pattern. In view of his more strongly nationalist outlook, however, Echeverría may be more sensitive to the way in which US policy is conducted, and to any alleged intrusions on Mexican sovereignty.

43. The next administration's attitudes and policies towards the US are also likely to be significantly influenced by Echeverría's choice to head the Secretariat of Foreign Relations. There is a good chance that he will follow the example of Díaz Ordaz in concentrating his attention on domestic affairs and giving considerable responsibility to his Secretary of Foreign Relations. In that case the attitude of the Secretary would be important for continued close cooperation with US officials. The present Secretary of Foreign Relations, Antonio Carrillo Flores, is convinced of the value of avoiding open clashes with the US and has worked assiduously to avoid them. Thus we would regard the appointment of a similarly oriented individual as Secretary of Foreign Relations, as a signal that Echeverría is continuing his predecessor's high priority on negotiating solutions of problems with the US with a minimum of publicity.

44. There are a few basic problems which have persisted despite the best of intentions on the part of both US and Mexican negotiators. These include the salinity content of the Colorado River and US import restrictions on a variety of products which Mexico produces. The top-level Mexican officials are aware

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of the restrictions imposed on US negotiators by the powers of Congress in economic matters and foreign relations. Yet it is difficult for lower level officials and the Mexican public to understand these restrictions. Thus a minimum of adverse publicity is essential to continuing the present pattern of joint US-Mexican efforts to work out mutually satisfactory solutions to these and other difficult problems which may arise. The Mexican policy of maintaining relations with Castro's Cuba, for example, has caused relatively little strain in US-Mexican relations largely as a result of the way in which it has been handled by US officials and accepted by the US public generally.

45. Finally, US-Mexican relations are likely to be affected, over the longer run in particular, by the next administration's ability to cope with its basic domestic problems. We think that Echeverría will continue, and perhaps even extend, the present administration's recent emphasis on increasing the Mexican-owned share of foreign enterprises in Mexico, and is likely to react strongly against foreign criticism or action directed against that policy. In the event that his administration becomes hard pressed on domestic issues, Echeverría might allow anti-US elements to operate more freely to divert attention from his domestic problems. While we do not anticipate any sharp deterioration in relations, there may be an increase in annoying problems and in Mexican sensitivity to any diminution of its special relationship with the US.

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